



Chlor-triazine Supply Chain Team Key Messages for Stakeholders

The Triazine Global Supply Chain Team (SCT) met in St. Gabriel, Louisiana on February 18th and 19th. Several members of the SCT also participated in a joint meeting with members of the Mesotrione and S-Metolachlor SCTs to validate and share the Corn Herbicide Cost Strategy initiatives. Overall, the week was successful with a lot of good interaction and participation of all involved. Following are some key points from the SCT meeting:

- The US EPA has issued the interim re-registration eligibility decision (IRED) for atrazine. The Syngenta Regulatory Affairs Group has done an admirable job in successfully securing the future of atrazine in the US through the Special Review process. The initial view is that there will be minimal restrictions on atrazine at the end of the regulatory process. The EPA will issue an updated IRED by October 1, 2003 that will include final ecological risk assessments. Additionally, the full cumulative tolerance reassessment for the triazines will occur by 2005. There will be some label change requirements associated with the IRED affecting all atrazine products. Use of stickering and supplemental labels for existing inventories of atrazine products, already released for shipment, will be allowed for regulatory compliance purposes. New technical atrazine registrations will be issued by EPA and the existing technical registrations will be canceled, effective January 1, 2004 or 60 days after EPA approves replacement registrations. By January 2004, all new production of atrazine technical will be using the new packaging and labeling.
- The importance of the triazines as a mix partner with multiple active ingredients was emphasized and its value to the Selective Herbicide portfolio was reiterated and validated during the meetings.
- Triazine inventory targets were delivered for 2002. Total inventory for the triazines was \$42.2MM at year-end with a stock to sales ratio of 20.9%. The average inventory value for 2002 was \$45.1MM with a stock to sales ratio of 22.4%. Great progress was made especially for atrazine and simazine. In 2003, the targets are once again challenging with year-end and average inventory targets of \$37MM and \$42MM respectively. The big challenge in 2003 will be around simazine and terbuthylazine. Your support is needed in delivering these targets.

- Simazine is a supplemental product. The team reviewed this during the meeting and discussed the implications. As such, simazine will be run with no safety stock on active ingredient. Safety stock levels for formulations should also be minimized at between 0 and 5%. This will be necessary in order to deliver the aggressive inventory targets. In addition, the production will be optimized to meet market needs. There will probably be some changes in timing of production starting in Q3 2003 to help meet some of these goals.
- There was a great deal of success in 2002 in delivering more than \$6MM in synergy savings related to triazines. Great job by both the purchasing and manufacturing groups in delivering these savings.
- One of the priorities for the SCT this year is to work on cost mapping. The SC Maps were put together two years ago. The team will review, make necessary changes, expand to include packaging and distribution and add real updated cost numbers to the map. We will also spend a lot of time working on chaining files to ensure these are all as accurate as possible. We will use both of these tools to determine the most efficient formulation and packaging scenarios for the triazines.
- Cost is once again a major concern for the triazines in 2003. Cost reduction initiatives are on schedule to deliver \$3MM in fixed cost reductions for 2004 budget (as compared to 2003 standard) through Project Discovery and Triazine Business Improvement Team (TBIT). However, variable cost is a major concern in 2003 due mainly to the increase in chlorine prices and the effect of natural gas on raw material pricing. Chlorine price doubled, as compared to 2002, which has a significant effect on triazine cost.
- Natural gas is a key raw material in triazine production but is also key in manufacturing other raw materials used in triazines, namely amines and ammonia. The SCT has been trying to get a policy approved to forward buy natural gas for the last 18 months; however, this process has been slow. So far, the inability to forward buy has cost the triazine SCT an estimated \$6MM and promises to go higher as US natural gas prices continue to climb. Overall, the SCT has targeted an unfavorable purchase price variance (PPV) of \$5MM for 2003 – this, however, will be a challenge.
- As spelled out in the approved Global Product Supply Plan (GPSP), we do have a strategy for growing top line triazine sales. Since the triazine cost is driven largely by volume, it is imperative to keep the volumes as high as possible to avoid increases in cost due to allocation of fixed cost over lower volumes. The business team has identified an opportunity of incremental global sells of between 15 and 26MM pounds. These additional sales will account for about a \$0.04/lb

reduction in the cost of atrazine. There is a team that has been assembled to look at all the details that will allow this to happen. We should have additional information on this by the end of Q2.

- The triazine team participated in a new AI Planning exercise led by Graham Johnson. The team reviewed the seven-step process and answered specific questions around each step. Through this interview and rating process, the team was able to identify its strengths as well as its areas for improvement. These improvement areas will be rolled into the team PDR and will be worked during the year.
- One of the key findings from this exercise was that the team desires to understand global issues and to start focusing more on global issues. The team is comprised mostly of NAFTA members due to functional areas of responsibility and size of the NAFTA market. The team will be reviewing options for more global interaction in the future. The next SCT meeting will take place on May 21 to 23 in Greensboro, NC.
- The Triazine SCT consists of the following members and the areas they represent:
 - Alan Camp – Global Product Supply Chain Management
 - Daphne Nelson – Global Supply Chain Planner
 - Rush Ducote – Triazine Business Leader – St. Gabriel Manufacturing
 - Gayle Taylordean – Global Purchasing
 - Bob Wren – Global Finance
 - Tom Parshley – NAFTA Regulatory Affairs
 - Christian Schlatter – T&P, Formulation Development
 - Andreas Nyffeler – Global Product Manager
 - Frank Knight – NAFTA Brand Manager
 - Jim Jenkins – NAFTA Industry Sales
 - Paula Deano – Facilitator and Team Dynamics
- If you have any questions, please contact any of the team members.

Alan Camp
March 14, 2003